

Superior Court
(Commercial Division)

Canada
Province of Québec
District of Montréal
No: 500-11-058310-208

In the matter of the notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 of:

Coalision Inc., a corporation having its registered office at 700 Saint-Antoine Street East, Suite 110, Montréal, Québec, H2Y 1A6

Debtor
and

Deloitte Restructuring Inc., a corporation having a place of business at 1190 Des Canadiens-de-Montreal Avenue, Suite 500, Montréal, Québec, H3B 0M7

Trustee under the notice of intention to make a proposal

APPLICATION FOR THE APPROVAL OF AN ADMINISTRATION CHARGE
(s 64.2 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3)

To one of the judges of the Superior Court, sitting in the Commercial Division in the District of Montréal, the Debtor respectfully states:

1. On May 26, 2020, Coalision Inc. (“**Coalision**”) filed a notice of intention to make a proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”). Deloitte Restructuring Inc. (the “**NOI Trustee**”) was appointed as trustee to the NOI.
2. By the present Application, Coalision is seeking an order creating a super priority charge in the amount of \$100,000 in favour of the NOI Trustee, of its counsel and of Coalision’s counsel, in the form of the draft communicated as **Exhibit P-1** (the “**Order Approving an Administration Charge**”).

I. BACKGROUND

(A) Overview of Coalision’s Business

3. Founded in Montréal in 1989, Coalision’s business involves the design, production, distribution and sale of activewear under the Lolë, Paradox and Elva brands. Since

its inception, Coalision has striven to become a global player in the activewear clothing market.

4. Coalision's business is run primarily out of its headquarters in Montréal, Québec at the premises located at 700 St-Antoine East, Suite 110.
5. Coalision is a privately held corporation constituted on March 31, 2014 under the Québec *Business Corporations Act*.

(B) Coalision's financial difficulties

6. Coalision has recorded significant losses for the last several years as appears, primarily caused by:
 - a. General downturn in the global retail clothing market;
 - b. Competition from other established and emerging clothing retailers in the specializing in the activewear space;
 - c. Shifts in consumer habits, particularly away from traditional shopping towards online points of sale, which has affected Coalision's retail and wholesale business;
 - d. Significant investment in opening stores in Europe and in certain areas of the United States that were not ultimately profitable; and
 - e. Excess inventory, which has been accumulated over the years and mostly in 2019.
7. The COVID-19 pandemic and closure of all the Lolë stores has had a further significant and detrimental impact on Coalision's business and revenues since March 2020.
8. Absent the ability to restructure its operations, Coalision will not continue its operations.

(C) Restructuring Efforts

9. Coalision, together with the NOI Trustee, undertook a number of restructuring initiatives prior to the NOI filing, including the initiation of a limited sale and investment solicitation process to identify a strategic partner that could inject new funding or purchaser, with a view to maximizing the value of the business for all stakeholders, and securing the employment of as many of its employees as possible.
10. The restructuring plan following the filing of the NOI is to continue such process to identify a purchaser or investor for Coalision's asset's (the "**Restructuring Plan**").

II. ADMINISTRATION CHARGE

11. Coalision respectfully submits that a \$100,000 administration charge should be granted in accordance with the draft Order Approving An Administration Charge (the "**Administration Charge**").
12. As appears from the draft Order Approving An Administration Charge, Coalision requests that such charge take rank prior to any all other charges existing over the assets and undertakings of Coalision.
13. During these proceedings, including the Restructuring Plan, Coalision will require the assistance of the following professionals:
 - a. The NOI Trustee and its legal counsel, Norton Rose Fulbright Canada LLP: the NOI Trustee as agreed to act in such capacity to Coalision's restructuring proceedings and to assist Coalision in the context of the limited sale and investment solicitation and the Restructuring Plan. The NOI Trustee as valuable insights into Coalision's business and is in a position to perform its duties as well as to assist Coalision in its Restructuring Plan without further delay;
 - b. Coalision's legal counsel, McCarthy Tétrault LLP: Coalision's legal counsel will be called upon going forward to provide some assistance in the conduct of these proceedings, including the Restructuring Plan and the limited sale and investment solicitation.
14. The services of these professionals and their support are essential to Coalision's restructuring.
15. Coalision intends to notify the secured creditors which are likely to be affected by Administration Charge: Canadian Imperial Bank of Commerce, Red Moon Group Inc., Simon Coalision Investments, Inc. and Pelican II Investment Fund, L.P.
16. In this context, Coalision respectfully submits that the Administration Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted in accordance with the draft Order Approving An Administration Charge.

THEREFORE MAY IT PLEASE THIS HONOURABLE COURT TO:

ISSUE an order in the form of the draft Order Approving an Administration Charge communicated in support of as Exhibit P-1;

WITHOUT COSTS, save and except in case of contestation.

Montréal, May 26, 2020

McCarthy Tétrault L.L.P.

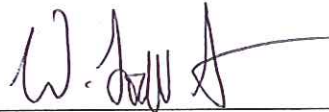
McCARTHY TÉTRAULT LLP

Mtre Alain N. Tardif / Mtre Gabriel Faure /
Mtre Pascale Klees-Themens
Attorneys for the Applicant, Coalision Inc.

AFFIDAVIT

I, the undersigned, **TODD STEELE**, CEO of COALISION INC., having an establishment at 700 St-Antoine Est, Suite 110, Montreal, Quebec, H2Y 1A6, solemnly affirms that all the facts alleged in the present *Application for the Approval of an Administration Charge* that do no otherwise appear from the Court record are true to the best of my knowledge.

AND I HAVE SIGNED:



TODD STEELE

Sworn before me, at Montréal, this 26 day of May,
2020

Anya Deschênes #226361

Commissioner of Oaths for the Province of Quebec



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Debtor
and

Deloitte Restructuring Inc.

Trustee under the notice of intention to make a proposal

NOTICE OF PRESENTATION

TO:

Fishman Flanz Meland Paquin LLP
M^{tre} Avram Fishman and M^{tre} Nicolas Brochu
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afishman@ffmp.ca; nbrochu@ffmp.ca
Counsel to Canadian Imperial Bank of Commerce

Red Moon Group Inc.
Attn: Mr. Robert Blain, CEO, and M^{tre} Andrei Molchynsky, Head of Legal Affairs
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Simon Coalision Investments, Inc.
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Ice Miller LLP
Attn: Mr. Jeff Hokanson
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Unites States Counsel to Simon Coalision Investments, Inc.

Pelican II Investment Fund, L.P.
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bernard.mariette@coalision.com

TAKE NOTICE that the present *Application for the Approval of an Administration Charge* will be presented for adjudication before the Superior Court, of the District of Montreal, on May 28, 2020 at a place and time to be determined. Coalision Inc. respectfully request that any party wishing to object to the Application serve a contestation to the undersigned attorneys at the latest on May 27, 2020 at 5 PM.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, May 26, 2020

McCarthy Tétrault L.L.P.

MCCARTHY TÉTRAULT LLP

Mtre Alain N. Tardif / Mtre Gabriel Faure /
Mtre Pascale Klees-Themens
Attorneys for the Applicant, Coalision Inc.

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LIST OF EXHIBITS
(Approval of an Administration Charge)

Exhibit P-1 Draft Order Approving an Administration Charge
Exhibit P-2 Notice of intention to make a proposal

Montreal, May 26, 2020

McCarthy Tétrault L.L.P.

MCCARTHY TÉTRAULT LLP

Mtre Alain N. Tardif / Mtre Gabriel Faure /
Mtre Pascale Klees-Themens

Attorneys for the Applicant, Coalision Inc

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SUPERIOR COURT
(Commercial Division)
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PROVINCE DE QUÉBEC
DISTRICT DE MONTRÉAL

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**Application for the Approval of an
Administration Charge**
(s 64.2 of the *Bankruptcy and Insolvency Act*,
RSC 1985, c B-3)

ORIGINAL

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McCarthy Tétrault S.E.N.C.R.L., s.r.l.

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